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C O N F I D E N T I A L SECTION 01 OF 04 MEXICO 001104

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E.O. 12958: DECL: 10/08/2027

TAGS: PREL PGOV KCOR MASS KCRM SNAR MX

SUBJECT: MEXICO SEEKS TO TURN THE PAGE ON CORRUPTION

Classified By: Political Minister Counselor Charles V. Barclay. Reason : 1.4 (b),(d).

**¶1.** (U) Summary. Turning the page on Mexico's endemic corruption problem is an essential component of President Calderon's efforts to combat organized crime. The Public Administration Secretariat (SFP), created by the Fox administration is at the center of efforts, coordinating a network of IGs in GOM offices. In 2007, SFP reported that the number of investigations conducted and public officials dismissed nearly doubled over the prior year. The Public Security Secretariat (SSP) has undertaken an ambitious program designed to eventually vet all 400,000 of Mexico's federal, state, and local law enforcement officials. Mexico's Congress passed a judicial reform bill that should make Mexico's judicial processes more transparent and accessible. Meanwhile, Mexico's military seeks to deepen its cooperative relationship with the U.S., including through the acquisition of U.S. equipment, in large measure out of a desire to reduce the potential for corruption. Mexico has far to go to put its legacy of corruption behind it but it is striking out in the right direction. Deepening U.S. cooperation through the Merida Initiative will advance significantly the GOM's anti-corruption efforts. End Summary.

**¶2.** (U) Mexico's corruption problem is deeply entrenched in all facets of society -- both public and private, economic, political, and social. It undermines confidence in public institutions, undercuts efficiency, and discourages investment. It has a particularly corrosive effect on the law enforcement sector, where organized crime elements have long been able to manipulate effectively the police, public officials and judicial authorities. Mexico ranked 72nd out of 179 countries across the globe and 13th out of 32 countries from the Americas in Transparency International's 2007 survey polling citizens for their perceptions regarding corruption in the public sector and the political arena. According to the World Economic Forum's Global Competitiveness Report 2007-2008, corruption and inefficient government bureaucracy were cited as the two most problematic factors for doing business in Mexico.

#### Building Institutions at the Center of Corruption Fight

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**¶3.** (U) The Fox administration took a markedly tougher stand on corruption when it took office in 2000. Fox placed some 1,500 critical sectors, including specific police units, under state surveillance. He was also the driving force behind the development of several institutions and laws aimed at combating corruption. Upon taking office, President Calderon vowed to go after organized crime head-on and in a similar vein promised to carry on Fox's efforts to crack down on corruption. Some of the following institutions have made

the most noteworthy contributions to combating corruption and promoting greater transparency.

-- Supreme Audit Institution: The Mexican Congress created the Supreme Audit Institution (ASF) in 2000 with a mandate to investigate government spending at all levels including the executive, legislative, and judicial branches, other autonomous institutions, and individuals that receive public funds. According to the NGO Global Integrity, the GOM has acted on approximately 90% of the ASF's findings.

-- Federal Institute of Access to Information: The Mexican Congress created the Federal Institute of Access to Information (IFAI) in 2002 with a mandate to widen access to public information. Requests for information have risen almost fourfold in just four years from 24,097 in 2003 to 94,723 in 2007. Web browsers have consulted web portals for information about transparency obligations under Mexican law nearly 5 million times in 2007 and another 2,521,943 times in the three months of 2008 alone.

-- In late 2002, the Fox administration established the Public Administration Secretariat (SFP) with a mandate to investigate, prosecute and punish corruption within the executive branch at the federal level. Guillermo Huerta, a senior SFP auditor recently stressed with two House Appropriations staffers SFP's authority to produce internal preventative, concurrent and ex-post audits relying on a group of IGs in executive branch secretariats. Under the Calderon administration, the SFP dramatically increased the number of investigations it conducts and disciplinary actions it rendered in 2007 over 2006. Whereas in 2006, SFP conducted 3,597 inquiries and investigations by 2,693 federal

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employees resulting in the permanent dismissal of 202, dismissal of another 743 with re-employment restrictions, the suspension of an additional 953, and 1,040 reprimands, in 2007, SFP reported 6,253 inquiries and investigations resulting in the permanent dismissal of 410 federal employees, dismissal of another 1,023 with re-employment restrictions, the suspension of 1,664 employees, and 2,173 reprimands.

#### Justice Reform Makes its Contribution

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¶3. On March 6, Mexico's Congress passed a judicial reform bill that represents a major overhaul of the country's judicial and public safety system. The result of an open, constructive debate among the three branches of government and civil society, the reform should foster greater transparency, accessibility and fairness within Mexico's judicial system while providing the law enforcement community more tools to fight organized crime. The bill's most important element involves a shift from the inquisitorial system to an adversarial one based on the principle of innocence until proven guilty and involving the introduction of oral trials. As trials will now be conducted under public scrutiny, police officers will have to improve their investigative skills, prosecutors will have to present evidence in a more rigorous manner, and judges will have to ensure that they remain neutral arbitrators throughout the proceedings. As the bill proposes some changes to Mexico's constitution it must be passed by a majority (17) of Mexico's 32 state legislatures; many experts believe the bill could become law by September.

#### Police Efforts Center on Vetting

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¶5. (U) The Secretary of Public Security (SSP), Genaro Garcia Luna has developed a plan to fold all of Mexico's disparate federal entities into one effective, respected law enforcement institution. To combat the corruption for which the Mexican Police is notorious, Garcia Luna draws attention

to the importance of education, better pay, and punishing culprits, but his real focus has been on vetting. By mid-2008, SSP plans to have established a cadre of about 300 trained polygraphers. This group will be responsible for testing SSP's new recruits and current employees, and in the longer term, will carry out exams on state and local police. The examiners will also be made available to other federal entities. SSP officials have not been able to provide specifics about how the polygraphers would be used in support of state and local police and whether local authorities would be forced to undergo screening as opposed to invitation only.

SSP's Garcia Luna believes police reforms including vetting procedures will help SSP clean house forcing corrupt officials to leave.

**¶6. (C)** Some experts have criticized Garcia Luna for relying so heavily upon vetting to eliminate corruption within the police. However, it is worth noting that much of Mexico's success over the past year, scoring the arrest of major cartel leaders and making significant seizures, has been the product of close cooperation with the U.S. This level of unprecedented cooperation, including intelligence sharing, would not have been possible without our ability to work with vetted units supported by USG agencies including DEA and ICE.

Garcia Luna appreciates the kind of confidence creating these vetted units has generated and the kind of success they have produced. He seeks to replicate this confidence and success across the entire police force.

#### Transforming Mexican Customs

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**¶7. (U)** Mexican Customs has traditionally been a revenue collection entity, notoriously ridden with corruption. As President Calderon has stepped up the war on organized crime on all fronts, Mexican Customs has more fully embraced its transformation into a law enforcement entity. Customs officials explain that they are using non-intrusive inspection equipment (NIIE) to ensure that inspections are thorough and well-documented and training their people to break the history of corruption. Over the last year, Customs has dramatically increased its seizures of drugs and weapons.

Cocaine seizures increased from 456 kg to 24,613 kg and weapon seizures increased from 281 in 2006 to 696 in 2007.

#### Military Sees Relationship with U.S. as Key

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**¶8. (C)** Upon taking office, President Calderon tasked his new Secretary of Defense (SEDENA) General Guillermo Galvan with deepening cooperation with the U.S. He envisioned deploying SEDENA and SEMAR to assume the front line in the fight against the drug cartels and wanted both to enjoy the benefits derived from cooperation with their U.S. counterparts to include increased interoperability. SEDENA and SEMAR's own officials have described efforts to build closer ties with the U.S. as part and parcel of efforts to reduce the potential for corruption. They would prefer to acquire the helicopters and other aircraft and equipment of the variety earmarked in the Merida Initiative from the U.S. because they trust such acquisitions won't be tainted by the solicitation of bribes. They worry if the U.S. cannot deliver on this equipment, other countries with fewer qualms about soliciting a bribe to win a major defense equipment contract, will fill the void quickly and only contribute to incipient corruption regarding the acquisition of foreign military equipment within the Mexican military. In general, SEDENA and SEMAR would like to purchase defense equipment from the U.S. via our FMS program but have urged that we help make the process less prohibitively cumbersome, unresponsive, and time consuming.

#### Fighting Impunity -- the Weak Link

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¶9. (SBU) Impunity for corrupt officials remains the most commonly-cited problem by independent experts and NGOs. SFP has made some inroads in building cases against government officials, but few cases successfully target high-level officials. Provisions of Mexico's labor law make it very expensive and difficult for employers, including in the public sector to fire employees. A labor reform bill before Congress could potentially ease the burden upon employers who desire greater freedom to release corrupt employees. The Justice Reform bill touched on above gives law enforcement officials greater tools to prosecute complex crimes and Mexico has scored the arrest of some major drug cartel leaders. However, as long as the system proves incapable of bringing down major political officials -- protected by immunity while in office -- skepticism will prevail regarding the government's unmitigated commitment to attack corruption.

#### U.S. Programs Contributing to the Cause

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¶10. (SBU) Providing the GOM's Attorney General's Office (PGR) and the Secretariat of Public Administration (SFP) with the tools to investigate and prosecute complex criminal cases and obtain convictions of corrupt officials through the use of modern investigative techniques is the primary goal of our Narcotics Affairs Section's (NAS) Anti-Corruption program. To this end, the program provides PGR and SFP with training and technical assistance in such areas as Ethics in Government, White Collar Crime/Anti-Corruption Investigations, Management and Leadership, and other traditional investigative courses. Separately, through Georgetown University's National Strategic Information Center's Culture of Lawfulness program, experts are working with Mexico's Public Education Secretariat to develop a multi-faceted educational program focused on educating children in their formative years to recognize and reject corruption. The culture of lawfulness program has expanded providing both PGR and SFP with support to develop programs within police organizations. USG support of vetted units and the important contribution that program makes to anti-corruption were addressed prior.

¶11. (U) Comment. Mexico has a long way to go to overcome the legacy of corruption and its effects on society. First Fox and now Calderon, however, have demonstrated a genuine commitment to turn the page on corruption by creating institutions dedicated to investigating corruption and promoting transparent practices. Mexico's Treasury, Public Security, and Defense Secretariats each takes a different approach when it comes to combating corruption but each is focused on transforming itself into an efficient, integrity-bound institution. Judicial reform once converted into law short go far towards winning greater confidence in Mexico's judicial system.

¶12. (C) Mexico has arrested major cartel leaders -- often thanks to cooperation from the U.S. -- but needs to end the impunity presently enjoyed by high level officials and

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politicians. U.S. programs make an important contribution to improving investigations of corruption cases and promoting a culture of lawfulness. Providing Mexico with the kind of assistance envisioned in the Merida Initiative will enable us to strengthen our joint efforts to dismantle organized crime networks. However, it is worth noting that our resultant closer relationship will also avail us an unprecedented opportunity to influence GOM efforts to impact on corruption both in the form of policy and specific cases.

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